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DIA and DOS review(s) completed.

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GENERAL

1. Comment on Iranian concern over Soviet warnings:

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Soviet ambassador Lavrentyev's 8 July memorandum to the Iranian Foreign Ministry appears to be part of a diplomatic offensive aimed at blocking closer Iranian ties with the West. The memorandum demands an explanation of reports concerning "certain assurances" which Prime Minister Zahedi has allegedly given Ambassador Henderson on Middle East defense plans. It is similar in tone and content to the 2 July Pravda editorial which Lavrentyev publicized in Tehran by the unusual means of distributing individual copies to parliament and government members.

Henderson considered the Pravda piece as the opening gun of a Soviet campaign to prevent the conclusion or ratification of an oil agreement. Tehran has already transmitted to Moscow a mild protest against the Soviet press attack--a protest which nevertheless contained an assurance that Iran had no intention of joining a Western defense bloc.

The Iranian reaction to the Pravda-Lavrentyev gambit is typical of the confusion and uncertainty which Soviet pressures usually produce in Iran. Even Moscow's recent conciliatory gestures on financial and border problems had inspired concern over Soviet intentions among Iranian officials. The latest Soviet move may be designed to capitalize on that fear; it will probably cause still more vacillation and caution on the part of the Iranian government in its relations with the West.

SOUTHEAST ASIA

2. Vietnamese retreat on territorial demands:

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A Vietnamese cabinet minister outlined to Ambassador Heath on 9 July a proposal that Premier Diem will present to Premier

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Mendes-France for a territorial settlement in connection with an armistice in Vietnam. Diem proposes that Hanoi be held at all costs; otherwise he will refuse to accept any armistice agreed to by the French.

The proposal further specifies that the Viet Minh be permitted to retain the areas it now holds in the delta and approximately the northern third of Annam, the central part of Vietnam. The remainder of Annam would be allocated to the Vietnamese government but the Viet Minh would be permitted to "administer" a portion thereof. The Viet Minh would be excluded from Cochinchina except for an enclave to the south of Cambodia.

Comment: Heretofore, the Vietnamese have forthrightly rejected any idea of partition and have insisted that the abandoned province in the south delta must be regained.

If Diem refuses to accept any armistice involving the loss of Hanoi, the French may be able to persuade Bao Dai, who is in France, to sign it.

3. Two Viet Minh divisions continue preparations for possible attack:

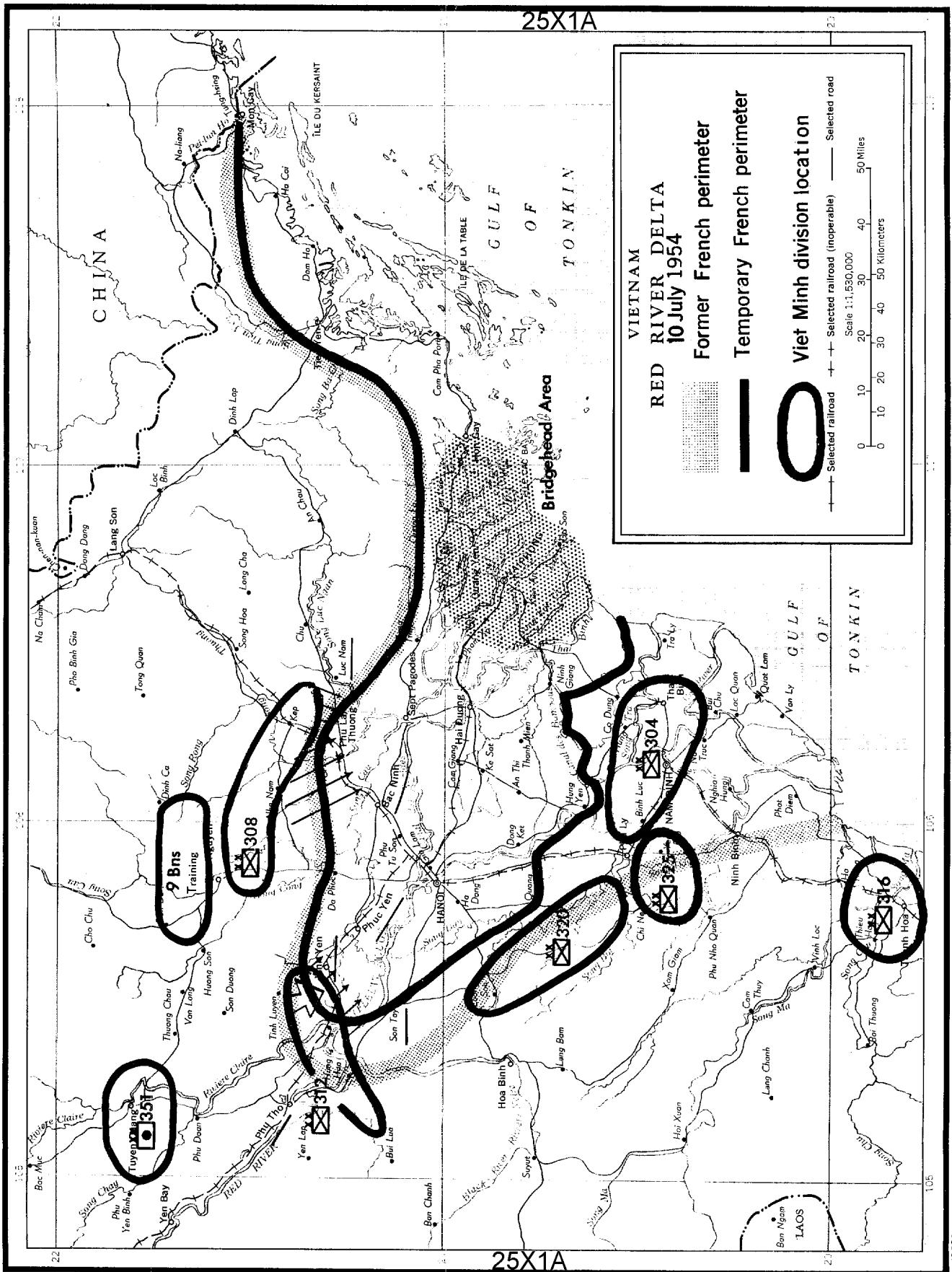
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[Redacted]

According to the American army attaché in Saigon, one regiment of the Viet Minh 312th Division is conducting probing attacks in the Vinh Yen area which have resulted in the loss of three Vietnamese-manned outposts. Intelligence reconnaissance units of the 312th Division reportedly are active from Son Tay to Phuc Yen. Similar units of the 308th Division continue active between Bac Ninh and Luc Nam (see map, p. 5).

Comment: This is the first report of action by combat elements of the 312th Division since the fall of Dien Bien Phu. The movement of this unit from rest areas at Phu Tho was accomplished within the past two weeks and the entire division apparently is now ready to be committed to combat.

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4. Authorization of French conscripts for Indochina would not imply renewed military effort:

[Redacted]

Ambassador Dillon in Paris believes that the French National Assembly will approve the use of conscripts in Indochina only if, after 20 July, the safety of the French expeditionary force appears to depend upon it. He points out that Premier Mendes-France, in telling the Assembly on 6 July that conscripts would have to be used if negotiations fail, did not imply that France would then continue the war to stem Communist aggression.

Dillon further believes that if Mendes-France falls after obtaining Assembly approval to use draftees, a successor government will be under greater pressure to come to terms with the Communists.

Comment: The question of using conscripts as the only alternative to a cease-fire by 20 July may have been raised by Mendes-France in the hope of inducing his Gaullist and other rightist supporters to accept harsh terms at Geneva. If the Assembly authorizes such a move, however, he may be planning to use it to justify to France's Western Allies a request for direct intervention or internationalization of the war.

#### NEAR EAST - AFRICA

5. Saudi king may abrogate military agreements with US:

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[Redacted]

According to Ambassador Wadsworth, Crown Prince Faisal has stated that King Saud is very angry with the United States and may terminate the American military mission and the Dhahran Air Base Agreement if such action is recommended by the Council of Ministers. Wadsworth expects the council sessions to reopen on 11 July.

The ambassador comments that the situation is increasingly "brittle" and believes that Faisal's remarks were not "mere skirmishing."

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Comment: While the king may not have made a final decision, the council will probably reflect the king's sentiment.

Wadsworth was informed on 27 June that King Saud had terminated the Point IV program at the recommendation of the council.

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Iraqi foreign minister Jamali, in commenting on major problems in the Middle East, told the American delegation at the UN that the Communists have a very well-organized and effective anti-West propaganda program in the Arab states which is very damaging to Western interests.

Jamali stated that Iraq would propose discussion of the North African problem in the General Assembly this fall even if the other Arab and Asian states were unwilling to do so.

Regarding Palestine, the foreign minister felt that the UN must act to internationalize Jerusalem. He added his belief that peace was impossible in Palestine except perhaps through a redivision of territory along the lines of the Bernadotte territorial plan, which would have given Israel considerably less territory than it now occupies. In conclusion, he said that the United States has primary responsibility for the present situation there, and it is accordingly responsible for solving the problem.

Comment: Jamali's views are significant since they represent the opinions of an influential, American-educated Arab leader. It was under Jamali's premiership that Iraq signed the US military aid agreement.

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